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C O N F I D E N T I A L SECTION 01 OF 02 COLOMBO 001704

SIPDIS

DEPT PLEASE PASS TO E, EB, SA/INS, SA/RA, DRL  
DEPT ALSO PASS TO USAID FOR BERNADETTE BUNDY - ANE/SA  
TREASURY FOR JERRY ADKINS  
DOL FOR SUDHA HALEY  
NSC FOR ELIZABETH MILLARD  
DEPT ALSO PASS TO USTR FOR AUSTR WILLIS  
COMMERCE FOR ARIADNE BENAISSE

E.O. 12958: DECL: 9/30/13

TAGS: [ECON](#) [ETRD](#) [KIPR](#) [PREL](#) [CE](#)

SUBJECT: GSL PERSPECTIVES ON CANCUN, FTA: AMBASSADOR'S  
COURTESY CALL ON COMMERCE MINISTER

Ref: Colombo 1689

[11.](#) (U) Classified by Amb. Jeffrey J. Lunstead for reasons  
1.5 B and D.

[12.](#) (C) Summary: During his initial courtesy call on GSL  
Minister for Commerce and Consumer Affairs Ravi  
Karunanayake, Ambassador noted that Sri Lanka had taken a  
strong stand that was in its own interest at the recent WTO  
Ministerial. He cautioned the GSL that there had been no  
US decision for a US-SL FTA however. Karunanayake said the  
USG had come to Cancun prepared to work through important  
issues but many others, especially the EU, had not. The G-  
23 will probably begin to dissipate slowly. A US-SL FTA is  
critical to Sri Lanka and the GSL looks forward to hosting  
the next round of TIFA talks on October 14 and 15. We have  
heard that Karunanayake's role in future US-SL talks may be  
under review by the PM, but his mannerisms today did not  
indicate any concerns about his current or future role.  
End Summary

[13.](#) (C) The Ambassador paid an introductory courtesy call  
on GSL Commerce and Consumer Affairs Minister Ravi  
Karunanayake on September 30. During the meeting, the  
Ambassador thanked Karunanayake for his Ministry's  
responsiveness and cooperation with US initiatives,  
particularly the Minister's supportive position during the  
recent WTO Ministerial in Cancun. While the US remains  
appreciative of GSL efforts, however, no decision has been  
made on whether to pursue a bilateral FTA. The upcoming  
TIFA talks will give the GSL an opportunity to review their  
recent analysis of the Singapore and Chile FTA agreements  
with the USG.

Readout from WTO

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[14.](#) (C) Karunanayake welcomed the Ambassador to Sri Lanka  
and said that Sri Lanka was forward-looking with regard to  
its trade policy, much more so than many developing  
countries. On the recent WTO Ministerial, he suggested  
that the American delegation had a clear idea of what it  
wanted to accomplish and came to Cancun prepared to  
negotiate. The EU, on the other hand, was not prepared and  
offered too little, too late to get the talks back on  
track. The potential for progress on agriculture was real,  
but the shift to the "Singapore issues" crashed the talks.

[15.](#) (C) Karunanayake thought the G-23 would not stick  
together. While some issues, particularly in agriculture,  
will remain important, the G-23 will probably dissipate  
slowly and steadily, particularly as bilateral FTAs become  
more prolific. In an interesting side note, Karunanayake  
said he had apprised the Indian delegation in Cancun of Sri  
Lanka's positions and their unwillingness to support the G-  
[123.](#) His Indian counterpart understood and noted that the  
short term loss of good will with the G-23 could be a long  
term gain for Sri Lanka.

POTENTIAL US-SL FTA

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[16.](#) (C) On a potential US-SL FTA, Karunanayake indicated  
that 900,000 jobs in Sri Lanka are dependent, directly and  
indirectly, on the garment industry. The 2005 expiration  
of the Multi-Fiber Agreement was going to cause major  
problems without a bilateral agreement on trade. The GSL  
has been reviewing the Singapore and Chile FTAs and with  
regard to the Singapore language in particular, has found  
it to be an acceptable framework. (Reftel gives a readout  
from a World Bank consultant who has been conducting the  
analysis and told us much the same thing.) There would be  
certain difficult areas, including agriculture, but the GSL  
was prepared to work with the US to overcome any  
difficulties.

[17.](#) (C) Karunanayake noted that the US seemed to be  
selecting small countries for FTA negotiations, in order to  
ensure viable agreements with quick, successful outcomes.

Sri Lanka could fill just such a role. He also felt that a US-SL FTA would have important implications for Sri Lanka in the region. Failure to reach an accord would be a mark against it in its neighbors' eyes, making it more difficult to pursue bilateral arrangements in the region.

18. (C) Karunanayake asked about any "patterns" for moving from TIFAs to FTAs. The Ambassador indicated that no "pattern" exists and that TIFAs are merely agreements to talk. Many countries may have TIFAs with the US but never move toward FTAs.

#### IPR Enforcement

19. (C) Karunanayake then raised IPR and immediately hit upon a favorite idea of his: US law enforcement coming to Sri Lanka to form a regional IPR enforcement hub. The Ambassador reminded Karunanayake that it was important for Sri Lanka to prove its intentions and capabilities before any such idea could be considered. The implementation of the new IPR law, and concrete enforcement actions were critical. Further, industry groups are anxious to work with governments that enforce IPR laws and they can provide training and other assistance. GSL cooperation in these efforts would garner considerable good will and show seriousness of purpose. Karunanayake turned and instructed his staff to ensure that these issues were put into practice. He then indicated that the new IPR law would be signed by the Speaker of Parliament (the final step that brings the law into force) on October 6.

110. (C) Comment: The Minister was his usual energetic self with regard to discussions on TIFA and a potential FTA. We are hearing, however, that his role in future trade-related negotiations with the US may be under review. His mannerisms and enthusiasm at this meeting, however, did not belie any concern of a shift in role or responsibilities.

End Comment

LUNSTEAD